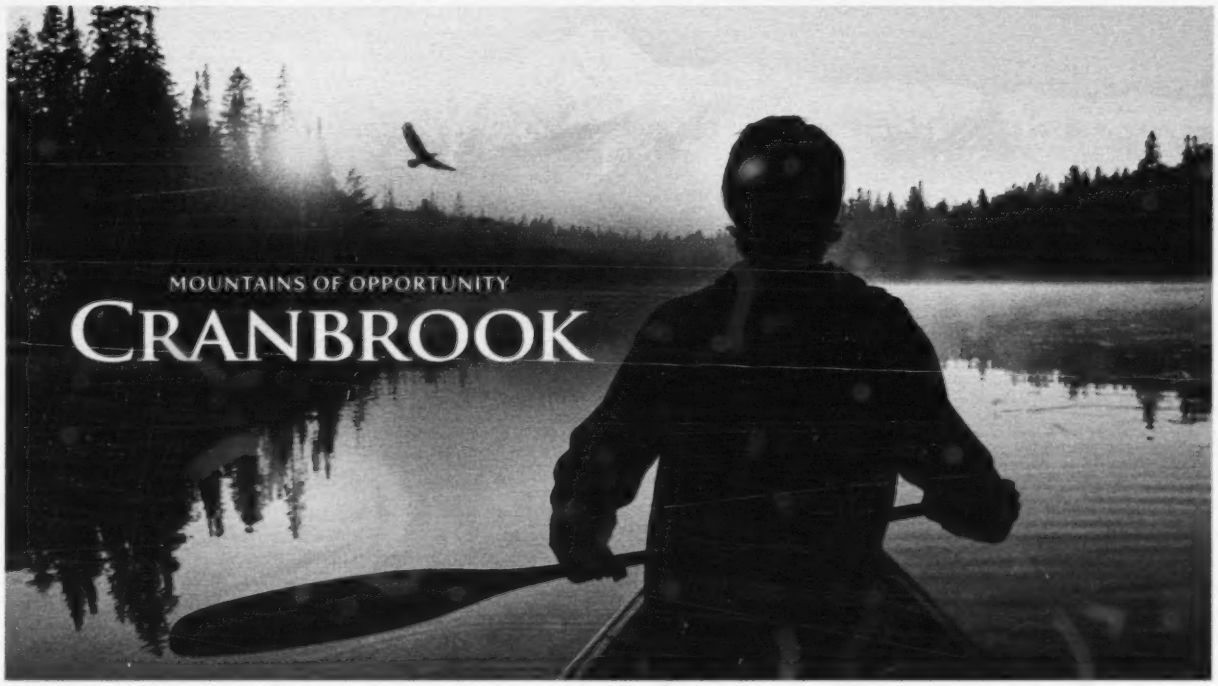
FIVE YEAR FINANCIAL PLAN SUMMARY (2017-2021)

MOUNTAINS OF OPPORTUNITY
CRANBROOK



INCLUDED SCHEDULES

- 2017-2021 Operating and Capital Budget
- Project Highlights
- Projected City Utilities and Tax Rates
- Consolidated Five Year Financial Plan (2017 to 2021)

City of Cranbrook
Five Year Financial Plan Summary
2017 - 2021

Our Budget

Cranbrook is a diverse community with complete urban services and economy that enjoys high standard of municipal programs, aimed at maintaining and improving quality of life for all residents.

Our budget allows the City of Cranbrook to maintain the levels of services of those municipal programs and realize strategic goals such as housing-affordability, economic-growth, community-vibrancy, improved infrastructure, environmental sustainability, support of recreation, culture and the arts, as well as social responsibility by overseeing an annual budget of $76 million.

2016 was an exciting year for the City of Cranbrook for many reasons. In April, new Chief Administrative Officer, David Kim, was appointed, who brings collaborative and innovative leadership, with strong emphasis on teamwork and outcome. A new collaborative development approval process was launched to improve quality and time, and facilitate the growth and change of our community through our approval services. Continued investment in the local economy and improving civic pride have been seen through such 2016 projects such as the 11th Avenue reconstruction, dam rehabilitation work at Idlewild Park, and new year-round washrooms at Rotary Park. In addition, significant work has continued in the area of asset management, which enables the City to make sound infrastructure replacement decisions.

The City's budget process has taken on a new and strategic direction that focuses on aligning priorities among citizens, council and the administration, maximizing the benefits and values for dollars we spend, and innovation through management of resources and risks. Strategic initiatives and investments also have been envisioned, that will set our community up for a long term sustainability, accommodating growth in our local economy; suggesting solutions to our aging infrastructure; moving towards technology & innovation-based operation; providing ways to better-connect the City operation with our citizens, and investing in the City staff for capacity building and quality service.

All departments participated in developing the financial plan and coordinated across the corporation using their accumulated experience. Our priorities are ranked based on relative importance of the corporate wide priorities; and ability to bundle up departmental-priorities together for synergy. This effort allowed individual departments to support not only their departmental priorities but also the corporate priorities. Finally, these priorities were examined against Council's priorities and alignments were made to ensure that the objectives laid out by Council were met.

Organization Structure

During 2016, the City of Cranbrook underwent restructuring to better adapt to emerging needs of infrastructure delivery and to streamline approvals.

There are nine business portfolios within the City, each of which reports to the Chief Administrative Officer:

- Corporate Services
- Office of Innovation and Collaboration
- Finance and Computer Services
- Public Works
- Leisure Services
- Infrastructure Planning and Delivery
- Fire and Emergency Services
- Airport
- RCMP (through contract)

The nine portfolios deliver a broad group of services, including:

- Infrastructure Planning, Maintenance, and Delivery
- Development Approvals and Planning
- Parks, Recreation and Culture
- Environmental Protection
- Fire Protection
- Policing
- Legislative and Enforcement
- Corporate Administration
- Public Transit
- Financial Planning and Accounting
- Water and Sewer
- Solid Waste Management
- Airport
- Cemetery Operations

Financial Plan Process

The financial plan process began in the fall of 2016 with collaboration across the corporation drawing on individual departments' accumulated experience and technical skill sets. The City developed a new budget planning process, including guidelines and schedule. Each department developed individual draft capital and operating plans that ranked projects by importance within that department. These departmental priorities were ranked based on relative importance, ability to bundle projects for synergy, and alignment with Council's sustainability objectives. As a result, a corporate-wide priority list was developed, on which the 2017 to 2021 Five Year Financial Plan was based.

An all-day, public budget meeting was held on January 18, 2017. During the meeting each department made a presentation that included their 2016 highlights as well as their 2017 work plan and 2017-2021 capital projects. Council reviewed the budget information and directed staff to make adjustments where they felt better alignment with their objectives could be achieved.

The Proposed Five Year Financial Plan (2017 – 2021) Summary has been developed to provide the public with an opportunity to examine the results of the budget process. The public is invited to submit their comments to Council, in writing, by the end of the 2 week consultation period.

During February and March, in open Council meetings, the 2017 to 2021 Five Year Financial Plan Bylaw will be brought before City Council for three readings and adoption. In May, the 2017 Cranbrook Tax Rates Bylaw will be presented to Council for consideration.

Budget

Each year, budget planning starts with a review of current and projected levels of city services. Adjustments are made for inflation or changes to contractual obligations. Departments review actual costs against budgets to determine if there are areas that require additional resources or costs can be reduced or eliminated while providing service levels.

In particular, the budget planning focuses on incremental changes from the previous year's operations. These changes might include increases due to new or expanded programs, decreases resulting from reduced or eliminated services, non-controllable cost increases, salary and employment benefit increases related to Collective Agreements and the removal or addition of one-time or recurring revenues and expenditures from the preceding year.

Property Taxes

Service Levels

The majority of the City's revenue is obtained through property taxes. When preparing the Budget, the City determines the amount of revenue required to provide all the desired municipal services. Staff then determines the amount of revenue the City can expect to receive from non-property tax sources such as fees and charges, federal and provincial government grants, etc. The difference between the budgeted expenditures and the other revenue represents the amount of property tax revenue the City must collect to provide the services to the levels prescribed by Council. When the cost of providing an existing service increases (e.g. through inflation, changes in statutory requirements or product cost increases), the City must either raise more revenue or reduce the level of service.

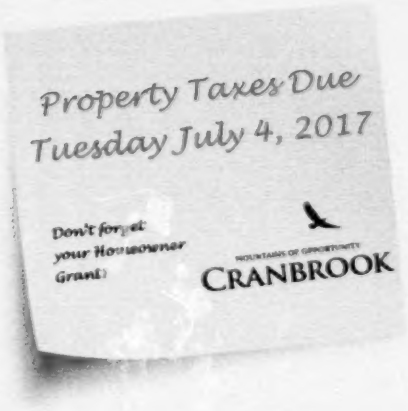
The Tax Rate

The City determines the "tax rate" (a charge per $1,000 of assessed property value) by dividing the sum of the assessed property values in the City by the amount of property tax revenue that must be collected. The "tax rate" is simply a means of determining how much each individual property owner must pay to receive the package of services provided by the City. The rationale for this approach is that owners of larger properties pay more than owners of smaller properties, or that individuals owning larger homes, in general, have an ability to pay more than those in lesser valued properties. Consequently, the City calculates the tax rate each year based on the revenue the City must collect and the assessed values of all the properties in the City at that time. If the amount of property taxes required by the City increases and assessed values don't change, or they drop, the tax rate will go up. If assessed values go up, property tax rates may stay the same or increase marginally. The increase to the tax rate will depend on how much assessed values go up relative to how much more the City needed to collect in taxation revenue.

Taxation Levels

The 2017 to 2021 Five Year Financial Plan includes budgeted property tax revenues for general municipal purposes as follows:

Year	Taxation Revenue (Levy)
2017	$ 25,295,317
2018	$ 26,502,856
2019	$ 27,573,366
2020	$ 29,048,474
2021	$ 29,684,494



The proposed increase to the general property tax levy, after non-market change (new construction) of $100,000 is 1.98% in 2017 and 3.38% in 2018.

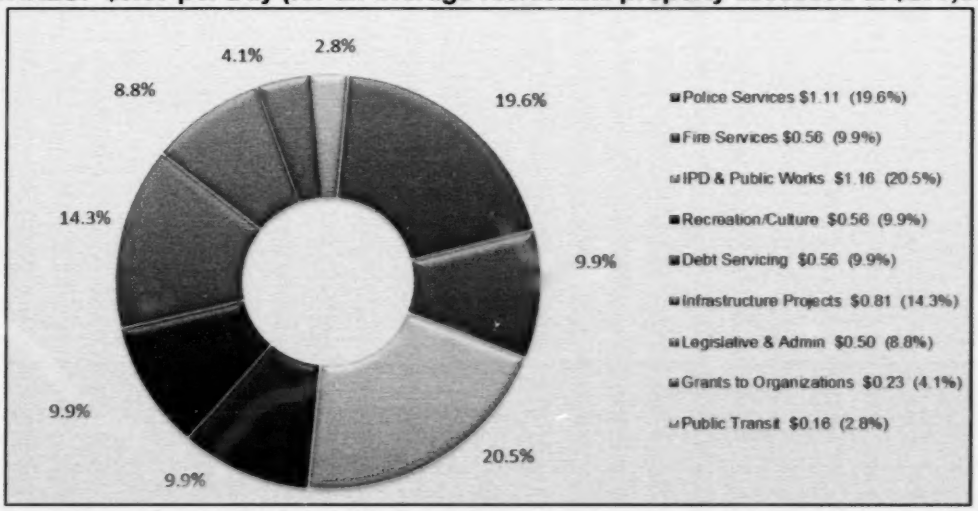
The Dedicated Road Improvement Tax that was introduced in 2010 will continue through all five years of the Financial Plan, meaning that an additional 1% property tax will be assessed annually and set aside for road work only. Thus, the total projected general municipal property tax increase for 2017 is 2.98% (4.38% in 2018). The 1% Dedicated Road Improvement Tax will fund over $11 million of the $33.7 million in capital road projects planned for 2017 through 2021.

Increase in General Municipal Property Taxes

The 2017 average general municipal property tax increase (excluding school and other non-City taxes) for residential taxpayers is projected to be 1.98% or about $14.69 per $100,000 of assessed value, unless City Council chooses to change the distribution of property taxes. In 2017, the 1% Dedicated Road Improvement Tax equates to about $7.42 per $100,000 of assessed value. The combined 2017 general municipal property tax increase for a residential property owner is 2.98% or $22.11 per $100,000 of assessed value.

The average assessed value for a residential property in Cranbrook is $270,000 ($269,000 in 2016). The projected municipal taxes for an average home will be about $2,063, or $5.65 per day, before the Provincial Home Owner Grant.

CITY TAXES: $5.65 per Day (for an average residential property assessed at $270,000)



Eligible residential property owners can apply for an annual home owner grant which is deducted from their total tax bill. The grant amounts are $770 – basic; $1,045 – senior/disability.

Distribution of Property Taxes

As per Section 165(3.1) of the *Community Charter*, the distribution of general municipal property taxes among the classes is estimated to be (based on the 2016 distribution):

Class		2017
01	Residential	1.00
02	Utilities	6.54
05	Light Industry	2.72
06	Business and other	2.62
08	Rec/Non Profit	2.49
09	Farm	2.81

City of Cranbrook
Five Year Financial Plan Summary
2017 - 2021

Utility and Parcel Tax Rates

The monthly utility fees for water, sewer, and solid waste are projected to be:

Year	Monthly Rate	Revenue
2017	$ 59.50	$ 7,278,083
2018	$ 59.50	$ 7,299,918
2019	$ 59.50	$ 7,321,817
2020	$ 59.50	$ 7,343,782
2021	$ 59.50	$ 7,365,814

(2016 - $59.50)

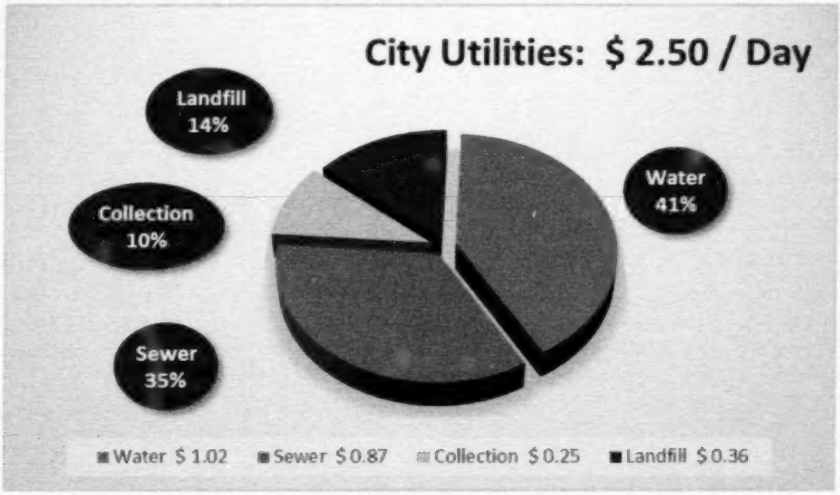
The annual parcel tax charge is projected to be:

Year	Rate per Taxable Meter Frontage	Revenue	Annual charge to average home (based on 15.25 m. lot)
2017	$ 13.00	$ 2,289,036	$ 198
2018	$ 14.00	$ 2,468,938	$ 214
2019	$ 14.00	$ 2,471,408	$ 214
2020	$ 14.00	$ 2,473,879	$ 214
2021	$ 14.00	$ 2,476,353	$ 214

(2016 - $13.00)

For an average home, the projected 2017 utility and parcel tax fees will total $912 ($2.50 per day).

A 5% discount off the total annual utility bill will be provided to those property owners who pay in full before the end of February each year.



Capital Projects

The amounts designated for municipal capital expenditures over the next five years are:

2017	$ 25,299,685
2018	$ 7,562,739
2019	$ 15,338,050
2020	$ 8,451,815
2021	$ 38,783,724

Capital by Department:

	2017	2018	2019	2020	2021
General Government Services	694,473	77,000	15,000	15,000	15,000
Protective Services	958,750	531,000	1,535,000	254,000	277,000
Infrastructure Planning & Delivery	13,917,756	3,289,739	3,519,550	4,119,815	4,409,724
Public Works	748,131	95,000	774,834	1,714,000	699,000
Recreation & Culture	2,885,884	1,693,000	1,688,000	550,000	808,000
Water Fund	3,059,824	737,000	815,333	624,000	29,580,000
Sewer Fund	1,562,229	710,000	6,970,333	560,000	560,000
Solid Waste Fund	-	-	-	-	1,000,000
Airport Fund	1,472,638	430,000	20,000	615,000	1,435,000
	25,299,685	7,562,739	15,338,050	8,451,815	38,783,724

Road Program

Following the successful 2016 Alternative Approval Process, the City is borrowing $10 million, making the total 2017 capital roads budget $14,810,224. Extensive road resurfacing and rehabilitation is planned throughout all five years of the plan. In 2018 through 2021 an additional $18,948,828 has been budgeted for capital roads projects.

The funding breakdown for the 2017 capital roads program is:

Taxation and Utility Fees	$ 1,757,535
1% Road Improvement Tax	$ 1,716,899
Accumulated Surplus	$ 462,858
Municipal Infrastructure Reserve	$ 832,932
Recapitalization Reserve	$ 40,000
Borrowing	$10,000,000

Details of the 2017 preliminary road improvement program, pending firm construction pricing and other considerations, will be published at a later date.

Western Financial Place

The City took over operation of the recreation complex in March, 2007. In 2012, the building was renamed Western Financial Place (WFP), after a naming rights agreement was reached with Western Financial Group. Projected revenues in 2017 from WFP, including pool operations, are $906,000. Operating expenses, including the curling rink, are estimated to be $3,070,038 before debt payments of $1,619,441.

Several capital projects, including the pool dehumidification and conversion of the parking lot and aquatic lights to LED, were undertaken in 2016. In 2017 and 2018 the roof will be replaced, a new Direct Digital Control (DDC) system will be installed, and the arena lights will be converted to LED.

Regional Landfill

The annual payment to the RDEK for the regional landfill fee is budgeted to be $1,650,000 in the years 2017 through 2021.

Financial Support

The City provides funding to non-profit organizations and agencies that provide services to the community including the Cranbrook Public Library, Key City Theatre, Chamber of Commerce, Cranbrook History Centre, and Cranbrook Curling Club. In 2017, the funding is budgeted to be $1,040,468.

In addition, City Council has approved permissive tax exemptions to not-for-profit organizations in 2017 in the estimated amount of $240,763.

Public Transit

In partnership with BC Transit, the City continues to provide public transit to the residents of Cranbrook. Several buses will be switched out for newer models over the next two years. The costs associated with conventional and custom transit are shared with the Province. The City's share for 2017 is budgeted at $731,888 net of revenue.

RCMP

The City has a contract with the RCMP to provide police services for the City. The 2017 contract for 26 Officers is budgeted at $4,393,125 (2016 - $4,157,544). Separate from the policing contract, the City has budgeted over $330,000 in 2017 for necessary building and security upgrades at the detachment.

Reserve Fund Activity

Each year the City sets aside money in reserve funds to help pay for large capital projects in upcoming years. Budgeted transfers to reserve funds in 2017 amount to $4,020,194. Some of the larger deposits include:

$ 1,887,393	Recapitalization reserves for municipal capital assets
$ 867,465	Federal gas tax transfer to fund eligible projects
$ 648,709	Airport Improvement Fees
$ 100,000	Buildings reserve
$ 60,000	Carbon Offset Reserve to support carbon emissions reduction

Each year reserve funds help pay for projects such as capital road work, storm sewer rehabilitation, park refurbishments, and equipment replacement. Transfers from reserves of $6,188,195 are being budgeted in 2017 for various projects including:

$ 1,360,000	Western Financial Place Roof Replacement
$ 872,932	Capital Roads Program
$ 598,802	Public Works equipment replacement
$ 630,000	Road Rehabilitation Equipment
$ 500,000	Land Acquisition
$ 375,000	Sidewalk Replacement & Rehabilitation

Amortization of Capital Assets

Effective in 2009, the Public Sector accounting rules required all local governments to begin amortizing (depreciating) tangible assets over their useful life. The City's amortization charge for 2017 has been budgeted at $7,000,000 and has been included in the Financial Plan.

Borrowing

Over the five-year period 2017 to 2021, the City plans to borrow approximately $25,034,000 for various capital projects as follows:

Capital Project:	Year	Amount *	Term	Annual Payment
Capital Road Program (incl. underlying water and sewer infrastructure)	2017	10,000,000	20 years	695,497
Fire Engine	2017	670,000	5 years	138,753
Transfer Pipeline - Phase II	2019	1,750,000	20 years	123,752
Fire Ladder Truck	2019	1,400,000	5 years	289,932
Bush Truck - Fire Services	2020	214,000	5 years	44,180
Water Treatment Plant & Distribution	2021	11,000,000	20 years	739,373
		25,034,000		

*MFA Fees of 1% will be applied to each debt issue.
Assumed interest rate of 3.35% - reviewed with MFA

Salaries and Wages

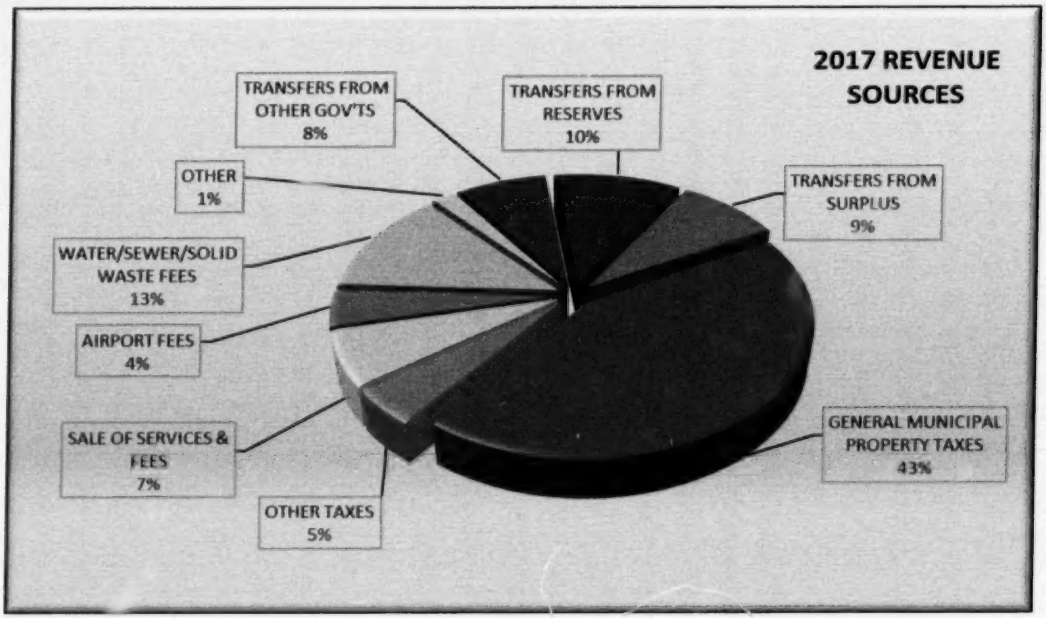
The Collective Agreement with CUPE 2090 expired on February 28, 2017. The terms of the current Collective Agreement continue to apply until a re-negotiated Collective Agreement is in place. Negotiations began on December 15, 2016 to renew the Collective Agreement with CUPE. Exempt staff salaries will be reviewed once the negotiations are complete.

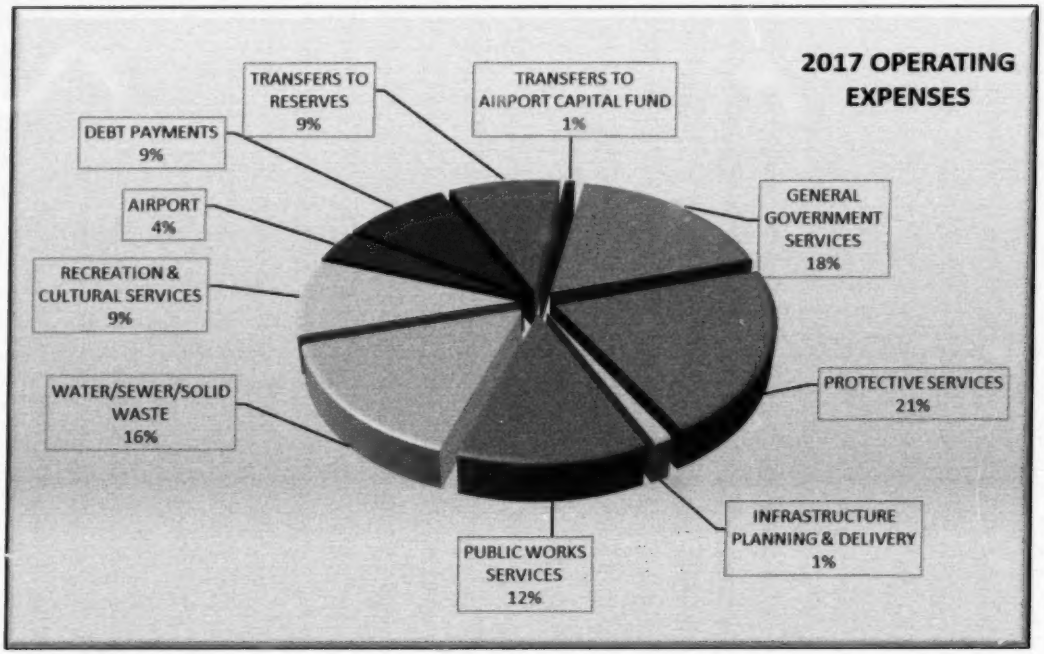
The City's Collective Agreement with Cranbrook Fire Fighters Local 1253 has been renewed and is in effect from January 1, 2015 to December 31, 2019. Annual increases for the Fire Fighters are tied to the Vancouver Fire Fighters Collective Agreement which expired December 31, 2015. The contract was successfully renegotiated and ratified by the members on February 15, 2017.

City of Cranbrook
Five Year Financial Plan Summary
2017 - 2021

CORPORATION CITY OF CRANBROOK
CONSOLIDATED FIVE YEAR FINANCIAL PLAN 2017 TO 2021
SCHEDULE "A"
UNAUDITED

	2017	2018	2019	2020	2021
REVENUE:					
Municipal Property Taxes	-25,606,320	-26,813,859	-27,884,369	-29,359,477	-29,995,497
Payments in Lieu of Taxes	-340,000	-340,000	-340,000	-340,000	-340,000
Parcel & Local Area Service Tax	-2,334,892	-2,514,794	-2,517,264	-2,519,735	-2,522,209
Sale of Services & Fees	-3,944,427	-3,752,113	-3,691,897	-3,806,087	-3,956,313
Airport Fees	-2,597,161	-2,640,945	-2,687,997	-2,735,941	-2,784,798
Water/Sewer/Solid Waste Fees	-7,483,158	-7,504,993	-7,526,892	-7,548,857	-7,570,889
Rentals	-432,357	-416,904	-399,428	-387,606	-428,041
Return on Investments	-413,800	-408,800	-408,800	-408,800	-408,800
Fines, Penalties & Interest	-297,761	-299,434	-301,151	-302,913	-304,721
Transfers from Other Governments	-3,912,088	-1,889,427	-5,572,467	-1,935,566	-20,321,228
Transfers from Reserves	-6,188,195	-2,791,502	-3,757,311	-2,812,056	-3,276,154
Transfers from Surplus	-4,713,492	-1,265,000	-770,000	-255,000	-692,500
Non-Funded Amortization	-7,000,000	-7,000,000	-7,000,000	-7,000,000	-7,000,000
	-65,263,651	-57,637,771	-62,857,575	-59,412,038	-79,601,151
Borrowing for Capital	-10,670,000	-	-3,150,000	-214,000	-11,000,000
Borrowing for Special Projects	-	-	-	-	-
Collections for Other Governments	-8,995,960	-8,995,960	-8,995,960	-8,995,960	-8,995,960
	-$84,929,611	**-$66,633,731**	**-$75,003,535**	**-$68,621,998**	**-$99,597,111**
EXPENSES:					
General Government Services	7,689,028	7,531,513	7,697,024	7,733,339	7,826,130
Protective Services	9,280,884	9,181,862	9,412,288	9,583,244	9,805,344
Infrastructure Planning & Delivery	559,261	394,801	501,997	409,337	416,824
Public Works	5,400,673	5,176,856	5,269,479	5,185,296	5,535,685
Water/Sewer/Solid Waste	6,797,001	6,308,142	6,550,395	6,494,837	6,540,344
Recreation & Cultural Services	4,150,364	4,133,212	4,182,563	4,308,580	4,261,298
Airport	1,610,198	1,595,973	1,615,517	1,650,891	1,687,110
Debt Payments	3,786,111	4,403,282	4,258,073	4,545,809	4,486,940
Transfers to Reserves	4,020,194	3,980,806	3,842,642	3,923,559	3,918,813
Transfers to Airport Capital Fund	340,254	368,587	339,547	339,332	338,941
Capital Expenses from Revenue	14,629,685	7,562,739	12,188,050	8,237,815	27,783,724
Amortization	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
	65,263,651	57,637,771	62,857,575	59,412,038	79,601,151
Capital from Borrowing	10,670,000	-	3,150,000	214,000	11,000,000
Special Projects from Borrowing	-	-	-	-	-
Transfers to Other Governments	8,995,960	8,995,960	8,995,960	8,995,960	8,995,960
	$84,929,611	**$66,633,731**	**$75,003,535**	**$68,621,998**	**$99,597,111**
CAPITAL EXPENSES					
General Government Services	694,473	77,000	15,000	15,000	15,000
Protective Services	958,750	531,000	1,535,000	254,000	277,000
Infrastructure Planning & Delivery	13,917,756	3,289,739	3,519,550	4,119,815	4,409,724
Public Works	748,131	95,000	774,834	1,714,000	699,000
Water/Sewer/Solid Waste	4,622,053	1,447,000	7,785,666	1,184,000	31,140,000
Recreation & Cultural Services	2,885,884	1,693,000	1,688,000	550,000	808,000
Airport	1,472,638	430,000	20,000	615,000	1,435,000
	$25,299,685	**$7,562,739**	**$15,338,050**	**$8,451,815**	**$38,783,724**


2017 REVENUE SOURCES
TRANSFERS FROM OTHER GOV'TS 8%
TRANSFERS FROM RESERVES 10%
OTHER 1%
TRANSFERS FROM SURPLUS 9%
WATER/SEWER/SOLID WASTE FEES 13%
AIRPORT FEES 4%
SALE OF SERVICES & FEES 7%
GENERAL MUNICIPAL PROPERTY TAXES 43%
OTHER TAXES 5%


2017 OPERATING EXPENSES
TRANSFERS TO RESERVES 9%
TRANSFERS TO AIRPORT CAPITAL FUND 1%
DEBT PAYMENTS 9%
AIRPORT 4%
GENERAL GOVERNMENT SERVICES 18%
RECREATION & CULTURAL SERVICES 9%
WATER/SEWER/SOLID WASTE 16%
PROTECTIVE SERVICES 21%
INFRASTRUCTURE PLANNING & DELIVERY 1%
PUBLIC WORKS SERVICES 12%